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UNCLAS OTTAWA 000578

SIPDIS

SENSITIVE

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [EINV](#) [SENV](#) [CA](#) [AA](#)

SUBJECT: CANADA'S ACTION ON ASIA PULP AND PAPER

REF: A. A) JAKARTA 2431

[B. B\) OTTAWA 484](#)

[C. C\) STATE 44188](#)

1. (SBU) On February 28 Finoff touched base with Canada's Department of Foreign Affairs (DFAIT) for an update on GOC action with regard to proposals on Asia Pulp and Paper restructuring. The joint letter to President Megawati to be drafted by the Canadian Embassy in Jakarta (ref A) has been cleared in Ottawa and is being circulated among the participating embassys in Jakarta. The GOC hopes to have the clearance process completed by early next week, but understands there are likely to be changes to the text.

2. (SBU) The possibility of calling in Indonesia's ambassador to Ottawa to protest handling of the case is under consideration, but a final decision has not been made. According to DFAIT, the GOC "might go that route."

3. (SBU) The Export Development Corporation, Canada's ECA, said that they are "not that strongly contemplating" a firm decision to take private corporations off cover and are not planning to put anything in writing. He added that he believes, speaking generally, that most ECAs are reluctant to draw a line in the sand that continues for an indefinite period. "Actions speak," and they are not thinking of doing anything publicly. EDC believes the next step is the letter to President Megawati, and they'll see what happens after that.

4. (SBU) Comment: Today's conversations in Ottawa confirm the view (Ref B) that GOC action and decision making on this issue are driven by the Canadian Embassy in Jakarta. EDC does not have a presence in Jakarta and DFAIT appears to be relying on the Ambassador's judgment. EDC, which operates as a private company, showed the hesitation about discussing proprietary matters that would be expected of a banker talking about a client. There seems to be a strong inclination on the part of the GOC to await the response to the joint letter to Megawati before moving on to other steps.
End comment.

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